

Office of the
Legislative Fiscal Analyst

FY 2001 Budget Recommendations

Joint Appropriations Subcommittee for
Capital Facilities and Administrative Services

Utah Department of Administrative Services
Office of State Debt Collection

Contents:

- 1.0 Summary
- 2.0 Issues
- 3.0 Programs
- 4.0 Additional Information

1.0 Summary: Office of State Debt Collection

Senate Bill 235 of the 1995 Legislative Session established the Office of State Debt Collection. The office manages collection for past due debts to the State and has the following responsibilities:

- a. Collecting and managing state receivables;
- b. Developing consistent policies governing the collection and management of state receivables;
- c. Overseeing and monitoring state receivables;
- d. Developing policies, procedures and guidelines for accounting, reporting, and collecting monies owed to the State;
- e. Providing information, training, and technical assistance to state agencies on collection-related topics;
- f. Writing an inclusive receivables management and collection manual for use of state agencies;
- g. Preparing quarterly and annual reports of the State's receivables;
- h. Creating/coordinating a state accounts receivable database, information systems, and procedures;
- i. Establishing an automated case receipt process between state agencies;
- j. Establishing procedures for writing-off accounts receivable for accounting and collections purposes.

	Analyst FY 2001 Base	Analyst FY 2001 Changes	Analyst FY 2001 Total
Financing			
General Fund	\$179,400		\$179,400
Total	<u>\$179,400</u>	<u>\$0</u>	<u>\$179,400</u>
Programs			
Statewide Debt Collection	\$179,400		\$179,400
Total	<u>\$179,400</u>	<u>\$0</u>	<u>\$179,400</u>
FTE	2.0		2.0

2.0 Issues: Office of State Debt Collection

2.1 Potential Conversion of OSDC to an Internal Service Fund

The Office of State Debt Collection is partially funded with an appropriation from the General Fund. In Fiscal Year 1999, OSDC's retained earnings exceeded \$190,000. If collections continue to generate retained earnings, the Legislature may consider converting OSDC into an internal service fund fully funded with dedicated credits.

2.2 Response to 1999 Intent Language: OSDC and the Tax Commission

The Capital Facilities and Administrative Services Committee expressed concern with the large amount of delinquent accounts held by the Tax Commission. In order to provide incentives to the Tax Commission to outsource their accounts, the Legislature passed intent language that attached funding for the UTAX project to the success of outsourced accounts.

2.3 Response to 1999 Intent Language: OSDC and Collections

The Legislature passed intent Language designed to require all state agencies to enact procedures for writing off accounts so that the Office of State Debt Collection could pursue payment as quickly as possible.

2.4 Response to 1999 Intent Language: OSDC and Costs of Collection

OSDC informed the Legislature that the cost of collecting delinquent accounts was often too high to make it feasible to pursue collection. To assist with this problem, the Legislature approved intent language that allowed the Office of State Debt Collection to pass reasonable costs of collection on to debtors.

3.0 Programs: Statewide Debt Collection

3.1 Statewide Debt Collection

Recommendation From its inception, the Office of State Debt Collection functioned as a quasi-internal service fund. Its primary revenue stream came from dedicated credits, but the budget is subsidized with General Fund money. In Fiscal Year 1999, OSDC’s retained earnings exceeded \$190,000. If collections continue to generate retained earnings, the Legislature may consider converting OSDC into an internal service fund fully funded with dedicated credits.

	FY 1999	FY 2000	FY 2001	Est/Analyst
	Actual	Estimated	Analyst	Difference
Financing				
General Fund	\$175,000	\$179,400	\$179,400	
Beginning Nonlapsing	38,300	40,700		(40,700)
Closing Nonlapsing	(40,700)			
Total	<u>\$172,600</u>	<u>\$220,100</u>	<u>\$179,400</u>	<u>(\$40,700)</u>
Expenditures				
Personal Services	\$155,700	\$154,600	\$153,500	(\$1,100)
In-State Travel		3,000	600	(2,400)
Out of State Travel	100	4,200	2,700	(1,500)
Current Expense	5,700	9,000	8,900	(100)
DP Current Expense	11,100	49,300	13,700	(35,600)
Total	<u>\$172,600</u>	<u>\$220,100</u>	<u>\$179,400</u>	<u>(\$40,700)</u>
FTE	2.3	2.0	2.0	

The Analyst is recommending the Office of State Debt Collection’s request.

3.2 Response to 1999 Intent Language: OSDC and the Tax Commission

The Capital Facilities and Administrative Services Committee expressed concern with the large amount of delinquent accounts held by the Tax Commission. In order to provide incentives to the Tax Commission to outsource their accounts, the Legislature passed the following intent language that attached funding for the UTAX project to the success of outsourced accounts:

It is the intent of the Legislature that the Utah State Tax Commission out-source all accounts over 24 month old that are not in litigation, under a payment agreement, assigned to a collector for active collection or whose out-sourcing would be in violation of State or Federal law. The Tax Commission shall report the results of out-sourcing efforts to the Office of State Debt Collection. It is the intent of the Legislature to appropriate funding to the Utah State Tax Commission for the UTAX project from the collection of out-sourced accounts receivables. The appropriation will be limited to the amount of funds recovered, not to exceed \$6,600,000.

As a result of this intent language, the Office of State Debt Collection has been able to access more accounts from the Tax Commission and expects to have enhanced collections as a result.

3.3 Response to 1999 Intent Language: OSDC and Collections

The Legislature passed intent Language designed to require all state agencies to enact procedures for writing off accounts so that the Office of State Debt Collection could pursue payment as quickly as possible.

It is the intent of the Legislature that state agencies will comply with rules established for write-off of delinquent accounts receivables unless State or Federal law prohibits such compliance, more, accounts receivable, when written off, shall be pursued by the Office of State Debt Collection.

Agencies have not fully complied with this intent statement but are forwarding some write-off accounts to OSDC for collection. Part of the reason for lack of compliance is that many agencies are not aware that an option of forwarding write-off accounts is an option for them. The Analyst believes that OSDC needs to be more proactive in making sure that state agencies are aware of the Legislature's intent.

3.4 Response to 1999 Intent Language: OSDC and Costs of Collection

OSDC informed the Legislature that the cost of collecting delinquent accounts was often too high to make it feasible to pursue collection. To assist with this problem, the Legislature approved intent language that allowed the Office of State Debt Collection to pass reasonable costs of collection on to debtors.

It is the intent of the Legislature that the Office of State Debt Collection be authorized to establish by rule that reasonable costs of collection be passed on to the debtor, including legal and administrative costs unless inappropriate or prohibited by law.

Following the Legislative Session, the Office of State Debt Collection learned that they do not possess sufficient rule making authority to accomplish this. The Office intends to pursue a statutory solution that will allow OSDC to attach reasonable costs of collection to outstanding debts.

3.5 Annual Accounts Receivable Report

The State Office of Debt Collection is required to prepare quarterly and annual reports of the State's receivables. The annual report for FY 1999 is included in this budget review. Performance measures for the agency are included in that report.

4.0 Tables: Office of State Debt Collection

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
	Actual	Actual	Actual	Estimated	Analyst
Financing					
General Fund	\$164,600	\$169,500	\$175,000	\$179,400	\$179,400
Dedicated Credits Revenue	1,300				
Beginning Nonlapsing	68,500	52,500	38,300	40,700	
Closing Nonlapsing	(52,500)	(38,300)	(40,700)		
Total	<u>\$181,900</u>	<u>\$183,700</u>	<u>\$172,600</u>	<u>\$220,100</u>	<u>\$179,400</u>
% Change		1.0%	-6.0%	27.5%	-18.5%
Programs					
Statewide Debt Collection	<u>\$181,900</u>	<u>\$183,700</u>	<u>\$172,600</u>	<u>\$220,100</u>	<u>\$179,400</u>
Total	<u>\$181,900</u>	<u>\$183,700</u>	<u>\$172,600</u>	<u>\$220,100</u>	<u>\$179,400</u>
Expenditures					
Personal Services	\$138,500	\$146,800	\$155,700	\$154,600	\$153,500
In-State Travel				3,000	600
Out of State Travel	600		100	4,200	2,700
Current Expense	31,700	7,500	5,700	9,000	8,900
DP Current Expense	11,100	29,400	11,100	49,300	13,700
Total	<u>\$181,900</u>	<u>\$183,700</u>	<u>\$172,600</u>	<u>\$220,100</u>	<u>\$179,400</u>
FTE	2.0	2.3	2.3	2.0	(2.0)